

THE OFFICE OF REGULATORY STAFF

TESTIMONY

OF

IRIS GRIFFIN

OCTOBER 24, 2018



DOCKET NOS. 2017-207-E;
2017-305-E and 2017-370-E

Request of the Office of Regulatory Staff for Rate
Relief to South Carolina Electric & Gas Company's
Rates Pursuant to S.C. Code Ann. § 58-27-920

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF SOUTH CAROLINA
COLUMBIA DIVISION

BEFORE THE HONORABLE J. MICHELLE CHILDS
IN THE UNITED STATES DISTRICT COURT
PRELIMINARY INJUNCTION
- TESTIMONY OF IRIS GRIFFIN -

| | | |
|---|---|---------------|
| South Carolina Electric & Gas Company, |) | |
| |) | |
| Plaintiff, |) | |
| |) | |
| -vs.- |) | 3:18-cv-01795 |
| |) | July 30, 2018 |
| Comer H. Randall, in his official capacity) |) | |
| as Chairman of the South Carolina Public |) | |
| Service Commission; Swain E. Whitfield, |) | |
| in his official capacity as Commissioner |) | |
| of the South Carolina Public Service |) | |
| Commission; John E. Howard, in his |) | |
| official capacity as Commissioner of the |) | |
| South Carolina Public Service Commission; |) | |
| Elliott F. Elam, Jr., in his official |) | |
| capacity as Commissioner of the South |) | |
| Carolina Public Service Commission; |) | |
| G. O'Neal Hamilton, in his official |) | |
| capacity as Commissioner of the South |) | |
| Carolina Public Service Commission; and |) | |
| Thomas J. Ervin, in his official capacity |) | |
| as Commissioner of the South Carolina |) | |
| Public Service Commission. |) | |
| |) | |
| Defendants. |) | |

A P P E A R A N C E S:

| | |
|--------------------|--------------------------|
| For the Plaintiff: | STEVEN J. PUGH, ESQ. |
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A P P E A R A N C E S (CONTINUED):

For Speaker James H. Lucas:

ROBERT E. TYSON, JR., ESQ.
ROBERT ERVING STEPP, ESQ.
VORDMAN CARLISLE TRAYWICK, ESQ.
MICHAEL JOSEPH ANZELMO, ESQ.

For Senator Hugh Leatherman:

MATTHEW T. RICHARDSON, ESQ.
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For PSC:

JOHN M. REAGLE, ESQ.

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United States Court Reporter
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STENOTYPE/COMPUTER-AIDED TRANSCRIPTION

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THE COURT: Thank you. First witness.

MR. PUGH: May I proceed, Your Honor?

THE COURT: Yes, you may.

MR. PUGH: Your Honor, Plaintiff South Carolina
Electric & Gas calls Iris Griffin.

THE COURT: Please be sworn in over there.

THE CLERK: Please raise your right hand to be
sworn.

IRIS GRIFFIN, after being duly sworn,
testifies as follows:

THE COURT: Just pull the microphone to yourself so
we can all hear you.

THE WITNESS: Okay.

THE COURT: Thank you. Okay.

MR. PUGH: May I proceed, Your Honor?

THE COURT: Yes.

DIRECT EXAMINATION

BY MR. PUGH:

Q Good morning.

A Good morning.

Q Ma'am, would you please tell us your name?

A Iris Griffin.

Q Ms. Griffin, how are you employed?

1 a payment of a dividend recently by SCANA?

2 A SCANA reduced its dividend payments by about 80 percent.
3 And that would have typically been the portion that would
4 have been provided by the electric business of SCE&G.

5 Q What is the ability of SCE&G -- having invested 5
6 billion dollars, as you've told us, as of July 31, 2017; what
7 is the ability of SCE&G to now simply cut its way back to
8 prosperity?

9 A That would be very -- extremely challenging to do.

10 Q Okay.

11 A You would have significant reductions in operations,
12 reliability investments in our system, in order to be able to
13 accomplish that.

14 Q Okay. Ms. Griffin, those are all my questions. Please
15 answer any these other attorneys may have. Thank you, Your
16 Honor.

17 THE COURT: The Public Service Commission, do you
18 wish to proceed first on any cross examination?

19 MR. REAGLE: No, Your Honor.

20 MR. STEPP: May it please the Court.

21 CROSS EXAMINATION

22 BY MR. STEPP:

23 Q Good morning, Ms. Griffin.

24 A Good morning.

25 Q I'm Bobby Stepp. I represent Speaker Jay Lucas in this

1 proceeding. And I've got a few questions for you, if you
2 don't mind.

3 A No problem.

4 Q You are talking here today about consequences that you
5 say will befall SCE&G should Act 287 and Joint Resolution 278
6 go into effect, correct?

7 A That's correct.

8 Q You're not talking about any damage that has already
9 occurred to SCE&G as a result of anything that's transpired
10 prior to the adoption of this Act, correct?

11 A I think some of the questioning that we just went
12 through did talk about historical things. But, yes; I'm here
13 to talk about the future.

14 Q Could I ask you just to put this microphone a little
15 closer to you?

16 A Sure.

17 Q My ears are not what they used to be.

18 A Is that better?

19 Q That's better. Thank you. But for purposes of what
20 you're telling the Court here today, you're here to testify
21 about consequences that will happen in the future should this
22 Act be allowed to stand, correct?

23 A That's right.

24 Q Do I understand that right?

25 A You do.

1 Q Not anything, not any harm that SCE&G or SCANA may have
2 already suffered, correct?

3 A Correct.

4 Q All right. Now, in 2017, did SCE&G meet all of its
5 financial obligations?

6 A Yes, we did.

7 Q And did it -- was it operationally ready? You talked
8 about operational readiness with Mr. Pugh, correct?

9 A I did.

10 Q And in 2017, was SCE&G operationally ready?

11 A Yes.

12 Q And in 2017, did SCE&G comply with its long-term
13 contracts for fuel and other materials?

14 A We did.

15 Q And in 2017, was SCE&G able to raise capital?

16 A We were.

17 Q And was SCE&G in 2017 able to borrow money in the bond
18 or other financial markets?

19 A We were not able to go to the long-term bond market due
20 to all the uncertainty in the marketplace related to the
21 nuclear abandonment.

22 Q Did you attempt to --

23 A Yes.

24 Q Did SCE&G attempt to borrow --

25 A We did. We attempted to issue a long-term bond and

1 ultimately were told by our bank group that it was not a good
2 time.

3 Q So, prior to the adoption of the legislation that brings
4 us here, SCE&G was already unable to access the long-term
5 bond market; is that correct?

6 A That's correct. At that point in time, we were able to
7 fund it through the short-term market.

8 Q But that inability to access the long-term bond market
9 had nothing to do with the legislation that hadn't even been
10 passed at this point; is that correct?

11 A That is correct.

12 Q And at this point, are any bonds or other obligations of
13 SCE&G in default?

14 A No.

15 Q Okay. I want to look -- you're familiar -- I think Mr.
16 Pugh asked you if you were familiar with filings that SCE&G
17 and/or SCANA had made with the Securities Exchange
18 Commission, correct?

19 A That's correct.

20 Q Are you familiar with the 10-K report that was filed at
21 the end of 2017?

22 A I am.

23 Q All right. Let me have the -- I've got some technology
24 that of course I can't operate. But perhaps somebody can.

25 MR. PUGH: Can I have a copy?

1 MR. STEPP: I don't know that I've got one.

2 THE COURT: We're just working on the technology to
3 reach one of the counsel. We'll give it a chance to reboot.

4 (Mr. Stepp hands document to Mr. Pugh.)

5 Q While he is fiddling with that, let me ask you a couple
6 of other questions. Tell me what a 10-K report is, please?
7 Do you know what that is?

8 A I do. It's the annual report we file with the
9 Securities and Exchange Commission related to our finances.

10 Q And it contains audited financial statements of the
11 company; is that correct?

12 A That is correct.

13 Q And is intended to provide the investing public with all
14 of the information that should be regarded as material with
15 respect to any investment or financial decisions relating to
16 the company?

17 A That is correct.

18 Q And of course it goes without saying that the company,
19 SCE&G and SCANA, takes great care to make sure that the
20 information presented is accurate, correct?

21 A That is correct.

22 Q Okay. Now, looking at the PowerPoint, this slide, is
23 this a copy of the first page of the Form 10-K for the year
24 ended December 31, 2017?

25 A It is.

1 Q Okay. Now let's look at the next slide, please. Oh.
2 I'm sorry. This is for SCANA and South Carolina Electric &
3 Gas Company, correct?

4 A That's correct.

5 Q And so, some of the information in here is broken out
6 specifically with respect to SCE&G, correct?

7 A That's right.

8 Q And we'll look at that. All right. Next slide. And
9 this is page 130 of the 2017 10-K. And this was signed on
10 your behalf. But it bears your signature, correct?

11 A That is correct.

12 Q And that was signed by you in your capacity as Chief
13 Financial Officer, CEO Vice-President and Chief Financial
14 Officer?

15 A Correct.

16 Q Now, I noticed that you told Mr. Pugh, and I saw
17 somewhere in here, you became the CFO in January of 2018,
18 right?

19 A That's right.

20 Q So, even though this 10-K is as of 12-31-17, when was it
21 actually submitted?

22 A I believe it was in -- well, February 22nd.

23 Q Okay. February 22nd?

24 A 2018.

25 Q So by February 22nd you were the CFO?

1 A Yes.

2 Q And did you undertake to make sure you were familiar and
3 comfortable with all the information that was presented in
4 the 2017 10-K prior to permitting your name to be put on it?

5 A I did.

6 Q Okay. All right. Now let's look at the next slide,
7 please. This is item 6, page -- I think this is page 33.
8 The page numbers are sort of hard to find in this thing
9 sometimes. But I think it's page 33. And it's got Selected
10 Financial Data. And this is for SCANA, correct?

11 A Yes. That's correct.

12 Q And this would include financial information relating to
13 SCE&G?

14 A That would be consolidated into this, yes.

15 Q And other subsidiaries of SCANA as well, correct?

16 A Correct.

17 Q But SCANA, for 2017, operating revenues were
18 4 billion -- I want to make sure I've got this number
19 right -- \$4,407,000, correct?

20 A That's correct.

21 Q So, that was all of the money that came into SCANA
22 during the calendar year for 2017?

23 A Yes.

24 Q Okay. And the amount that we're talking about here, I
25 think you've told Mr. Pugh -- I left my notes behind. Excuse

1 me. It's about 30 million dollars a month; or, over nine
2 months, about 270 million dollars; is that correct?

3 A That's correct.

4 Q And that assumes that SCE&G is going to make a refund of
5 the money from April through August; or April through July,
6 correct?

7 A Correct.

8 Q All right. And you understand we're talking for this
9 legislation about that deprivation of that money for that
10 limited period of time?

11 A I do.

12 Q And that the final rate, the final ability of SCE&G to
13 recover rates related to the nuclear project, would be
14 determined by the South Carolina Public Service Commission at
15 a later date. You understand?

16 A I believe that's the case, yes.

17 Q So, we're here today to talk about 270 million dollars
18 for SCE&G out of total operating revenues for SCANA for last
19 year of 4.4 billion dollars, correct?

20 A That's correct.

21 Q All right. Thank you.

22 A But I would point out that you're looking at revenue.
23 And as I mentioned, we have a lot of expenditures that have
24 to come out of that revenue, such as fuel of over a billion
25 dollars.

1 Q Understood. I want to talk about some of those
2 expenditures. Mr. Pugh asked you something about dividends.
3 Do you remember that?

4 A I do.

5 Q Now, dividends are payments that a corporation or
6 distributions made by a corporation to its shareholder or
7 shareholders, correct?

8 A Correct.

9 Q And they are, for the most part, voluntary by the
10 corporation?

11 A The corporation's board has the ability to declare them
12 or not to declare them. So, in that respect, they are.

13 Q Right. They're not mandatory. There is no law that
14 says corporations have to declare them?

15 A No. No, sir.

16 Q There is nothing that says that a company has to give
17 money back to its shareholders, correct?

18 A That is correct.

19 Q SCANA -- I mean SCE&G -- has historically paid a
20 dividend, correct?

21 A That's right; very similar to our utility peers.

22 Q And when we talk about a dividend by SCE&G to its
23 shareholder, we're talking about a payment from SCE&G to
24 SCANA, correct?

25 A That's correct.

1 Q Because SCANA is the only shareholder of SCE&G?

2 A That's right.

3 Q Okay. And now, I think I heard you say -- correct me if
4 I'm wrong -- that the board makes the decision about whether
5 to declare a dividend and pay it, right?

6 A Yes. The board makes that decision.

7 Q So, for dividends paid by SCE&G, that decision would be
8 made by the SCE&G board, correct?

9 A That's correct.

10 Q All right. Now, did you or your predecessor or somebody
11 to your knowledge provide information to the SCE&G board to
12 inform the board about whether to declare a dividend by SCE&G
13 during 2017?

14 A We would do that. Yes.

15 Q Okay. And was that -- are you familiar with the
16 information that was presented?

17 A I am.

18 Q Okay. Did you participate in the preparation and
19 presentation of that information?

20 A For which dividends?

21 Q For 2017.

22 A Not necessarily for all of 2017. I would have
23 participated in the ones for this year and made that
24 recommendation to the board.

25 Q Well, do you have any reason to doubt that the

1 information -- well, let me ask you this. The information
2 was provided to the board for the 2017 dividend decisions,
3 correct?

4 A Yes.

5 Q And do you have any reason to doubt that that
6 information was complete and accurate?

7 A No.

8 Q Okay. Let's look at the next slide, please. Now, this
9 is page 32 of the 10-K. And down at the bottom, it shows --
10 it's got a section relating to SCE&G and it shows dividends
11 paid; is that right, for 2017?

12 A That is correct.

13 Q All right. And so, SCE&G in 2017 declared and paid
14 dividends quarterly, correct?

15 A That's correct.

16 Q And so, on February 16th, in the first quarter, it
17 declared and paid dividends of 76.9 million dollars?

18 A Yes.

19 Q And on April 22nd, for the second quarter, of 78.1
20 million dollars?

21 A Correct.

22 Q And on August 3rd, for the third quarter, of 78.5
23 million dollars?

24 A That's correct.

25 Q And on October 26th, for the final quarter, 80.6 million

1 dollars, right?

2 A That's correct.

3 Q And so, that's totaled up there conveniently, I think,
4 of 79 million -- I didn't highlight that. I'm sorry. But
5 \$79,640,000 in dividends? No. I'm sorry. That's wrong.
6 It's 314 million dollars; is that right?

7 A I'm not as good at doing math in my head as I used to
8 be, but that looks to be approximately right.

9 Q All right. And just assume with me that that math is
10 correct. 314 million dollars, was that about the same amount
11 that SCE&G board had declared in dividends in previous years?

12 A It would have been similar.

13 Q So, 2017, the declaration and payment of the dividend in
14 2017 was similar to what had been declared and paid by SCE&G
15 in prior years, correct?

16 A That's correct.

17 Q Okay. And now -- and so, this money went to SCANA,
18 correct?

19 A That's right.

20 Q How does it get paid? Does it just get transferred out
21 of an SCE&G account in a SCANA account?

22 A The funds would be transferred from subsidiary accounts,
23 including SCE&G to SCANA, and then SCANA would pay the check
24 to the investors.

25 Q Okay. But that's a cash transaction, correct?

1 A It is.

2 Q So, each time one of these dividends was declared and
3 paid, the corresponding amount of money; for example, in
4 February of 2017, SCE&G took 76.9 million dollars and gave it
5 to SCANA?

6 A That's correct.

7 Q In cash?

8 A In cash.

9 Q And the same would be true for the other transactions as
10 well?

11 A That's correct.

12 Q Now, did you or anyone else to your knowledge during
13 2017 ever tell the board that the payment of 314 million
14 dollars in dividends would cause SCE&G irreparable harm?

15 A I have no knowledge of that.

16 Q But you didn't?

17 A I did not, no.

18 Q Do you have any reason to think that if the board had
19 been told by you, a CFO, or your predecessor, a CFO, that the
20 payment of those dividends would result in irreparable harm
21 that the board would have paid them?

22 A I would think not.

23 Q Now, you told Mr. Pugh that there had been some
24 downgrades to the credit rating of SCE&G, correct?

25 A That's correct.

1 Q Now, I looked earlier at the declaration. You filed a
2 declaration back on July the 2nd; is that correct?

3 A That's correct.

4 Q Did you look that over in preparation for your
5 testimony?

6 A I did.

7 Q In your Declaration, in paragraph 12, you mention a
8 Fitch downgrade on September the 29th, 2017? Do you remember
9 that?

10 A That should be correct.

11 Q Does that sound right?

12 A It does. If there is a copy, I'd like to see that, if
13 possible.

14 Q And you also reference -- I don't need to go through all
15 of them -- but a Standard & Poor on September 29, correct?

16 A That's correct.

17 Q And Wolfe Research and Williams Capital also in
18 September of 2017, correct?

19 A I remember those reports are referenced.

20 Q Okay.

21 A I don't remember the dates that we used, no.

22 Q So, my point being that during 2017, SCE&G experienced
23 downgrades to its credit rating by various credit reporting
24 agencies, correct?

25 A That's correct.

1 Q And I think this is obvious, but let me make sure; that
2 when those downgrades happen, those downgrades are made known
3 to the company. So, they were known to SCE&G?

4 A That is correct.

5 Q Painfully so probably, right?

6 A That is correct.

7 Q Okay. Now, you mentioned in response to a question from
8 Mr. Pugh that SCANA has suffered a downgrade in February of
9 this year; is that right?

10 A Yes.

11 Q But SCANA is not the Plaintiff in this case, is it?

12 A No, they're not. But SCE&G has also been impacted.

13 Q All right. And yet -- I guess my question is this, Ms.
14 Griffin -- after all those downgrades in September, on
15 October 26th, if we look back at the 10-K, the Board of
16 Directors of SCE&G still considered that it had adequate cash
17 and other resources to afford a dividend of 80.6 million
18 dollars, correct?

19 A That's correct.

20 Q And I would assume that the downgrades that we just
21 talked about that happened in the last part of 2017 were
22 known to the board when that decision was made, correct?

23 A Yes.

24 Q Now, let's look at the next slide, please. Still in the
25 10-K; this is on page 114. Let me pull some of this out here

1 if I can. This is towards the end of the report. And it
2 talks about claims of litigation. And are you familiar with
3 this part of the report?

4 A I am.

5 Q And it contains this statement that I pulled out here.
6 It says: Known and knowable conditions and events when
7 considered in the aggregate as of the date of issuance of
8 these financial statements do not suggest it is probable that
9 the Company and Consolidated SCE&G will not be able to meet
10 obligations as they come due over the next 12 months. Boy,
11 that's law speak if there ever was one.

12 A There are a lot of lawyers involved.

13 Q And another way to say that, that known and knowable,
14 there was nothing known or knowable as of 12-31-17 that
15 suggested that SCANA and SCE&G would not be able to meet
16 their obligations over the succeeding 12 months?

17 A That's right. That's the first sentence of that.

18 Q That's a fair restatement of that?

19 A Yes.

20 Q And over the next 12 months would be from 12-31-17 to
21 12-31-18, correct?

22 A Correct.

23 Q And so, despite the downgrades, despite the payment of
24 dividends, despite all the other events that transpired in
25 2017, it was the position of the company that none of that

1 made it probable that the company could not meet its
2 obligations for the succeeding 12 months, correct?

3 A That's right. That's an assessment we make at a point
4 in time. So that was the assessment at the end of the year.
5 And you'll see the second sentence of that paragraph that
6 you've highlighted there talks about possible future actions
7 and impact they could have.

8 Q Okay. We'll get to that in a minute. I think I've got
9 one more piece here. Now, this is back on page 14. And this
10 is still from the 10-K. And here on page 14, the company
11 reported to the SCE&G that there is uncertainty as to whether
12 the Company and Consolidated SCE&G will be able to recover
13 costs expended for the nuclear project, and a reasonable
14 return on those costs, under the abandonment provisions of
15 the BLRA or through other means; is that correct?

16 A That's correct.

17 Q So, way back, at the end of 2017, SCE&G already
18 considered it uncertain that it would be able to recover its
19 costs for the nuclear project, right?

20 A That's correct.

21 Q And it already considered that its status under the
22 BLRA, for lack of a better term, was uncertain, correct?

23 A That is true.

24 Q So it was already taking into account and reporting to
25 the investing public and to the SEC they might not get that

1 money back, correct?

2 A That's correct. But our assessment at that time was not
3 the magnitude of reduction that we've seen now.

4 Q Well, this doesn't quantify that magnitude at all.

5 A You're correct.

6 Q It just says it may not be able to recover any costs.
7 Correct?

8 A We said will be able to recover costs, yes.

9 Q But it doesn't say --

10 A It doesn't give any magnitude.

11 Q It doesn't give any magnitude. It just says it's
12 uncertain whether we'll be able to recover costs and a
13 reasonable return of those costs. And my only point is that
14 this didn't pop up in June or July of this year. That issue
15 had been on the table, had been something that SCANA had been
16 confronting, SCE&G had been confronting for some time,
17 correct?

18 A That's correct.

19 Q Basically ever since the decision to abandon the nuclear
20 project, correct?

21 A Shortly thereafter, yes.

22 Q And yet, even with that uncertainty, still the report of
23 the company to the SEC and to the general public at the end
24 of 2017 was, it's probable; with all that being taken into
25 account, it's still probable we're going to be meet all of

1 our obligations for the succeeding 12 months, correct?

2 A That's correct.

3 Q Okay. Now, you mentioned a dividend cut; is that
4 correct?

5 A Yes.

6 Q Now, that's a SCANA decision to cut dividends, correct?

7 A That's the board's decision, yes.

8 Q Right. Has SCE&G yet made a decision to cut dividends?
9 Correct? Has it?

10 A The board has approved the dividend payment that
11 included a very small amount from the gas business of SCE&G.
12 So, SCE&G's dividend has been paid that was related to the
13 gas business.

14 Q Okay. So, the board of SCE&G has it within its power
15 for 2018 to reduce or eliminate dividends completely,
16 correct?

17 A It does. Right.

18 Q And if the board were to reduce dividends, or to
19 eliminate dividends for this year; compared with 2017, that
20 would put 314 million dollars back into the account of SCE&G,
21 correct?

22 A From a cash perspective. But that would cause massive
23 upheaval in our shareholder base. Because there are many
24 shareholders who cannot hold our stock if we don't pay a
25 dividend.

1 Q Well, the harm that you are here to tell the Court about
2 is not harm to your shareholders. It's harm to the company,
3 correct?

4 A That's correct.

5 Q Right. And you mentioned Exhibit 5. Do you remember
6 that; the pro forma return on equity for 2017, assuming that
7 something happened. Does this assume that SCE&G's rate was
8 permanently reduced by 14.8 percent?

9 A This assumes an annual impact of the rate reduction
10 that's been proposed.

11 Q So an annual impact certainly means that more than the
12 temporary rate cut that we're here to talk about is being
13 considered here?

14 A Right. This would be 12 months.

15 Q This would be 12 months. We're only here to talk about
16 nine months, for one thing. So, that's not accurate on its
17 face with respect to Act 287, correct?

18 COURT REPORTER: Is there an answer?

19 A Yes. That's correct. Not specifically to the Act.

20 Q And then, going forward, if that were to remain in
21 effect, that return on equity would be approximately the
22 same?

23 A That's right.

24 Q Correct? Now, tell me exactly what return on equity is.
25 What does that 5.16 percent actually mean?

1 A That's probably the amount of return that an equity
2 investor can expect from their investment.

3 Q So, if all of this were to go into effect over a
4 12-month period; or, arguably, permanently, an SCE&G
5 shareholder could expect to get a return of 5.16 percent on
6 his or her investment?

7 A On this business, yes.

8 Q Yeah. Okay. I've got some stuff I'd like to get that
9 on.

10 MR. PUGH: Object to the sidebar, Your Honor.

11 PLAINTIFF'S ATTORNEY:

12 MR. STEPP: I withdraw it, Your Honor.

13 THE COURT: Sustained.

14 Q And you say that the utility company average was 9.5
15 percent?

16 A Yes.

17 Q Has the average utility company abandoned a nuclear
18 power project in the midst of its construction it having
19 invested 5 million dollars in it?

20 A No.

21 Q Let's look at slide 9, I think, please. Oh, well, I'm
22 sorry. Still on 114. It also contains this statement.
23 Management believes as of the date of issuance of these
24 financial statements it has access to available sources of
25 cash to pay obligations when due over the next 12 months.

1 Correct?

2 A That's correct.

3 Q And that would be for the period of 2018?

4 A Correct.

5 Q Notwithstanding everything that we've already talked
6 about?

7 A That's correct.

8 Q All right. Let's go to the next one. And, indeed, the
9 company also reported -- I think consistent with what we
10 already said -- that regulatory legislative judicial
11 proceedings outside of the company's and SCE&G's control may
12 result in the temporary or permanent suspension of
13 approximately 445 million annually of rates being collected
14 under the BLRA?

15 A That's correct.

16 Q So that was something that was contemplated as possible?

17 A It was contemplated as possible, yes.

18 Q It was a known or knowable condition as of 12-31-2017?

19 A Yes.

20 Q But we're not here to talk about this 445 million
21 dollars. We're here just to talk about the difference in the
22 experimental rate, correct?

23 A That's right.

24 Q All right. Next. Now, in the first quarter of 2018,
25 SCE&G also filed what they call a 10-Q report; is that

1 correct?

2 A That's correct.

3 Q A quarterly report. Still with the SEC, right?

4 A Yes.

5 Q And this is for the period ending March 31, 2018?

6 A Correct.

7 Q And again, this was SCANA and SCE&G, correct?

8 A Yes.

9 Q All right. Now --

10 MR. PUGH: Excuse me. Do you have a copy of that
11 one for me?

12 MR. STEPP: Oh. Sorry.

13 (Document handed to Mr. Pugh.)

14 MR. STEPP: Your Honor, at this point, let me
15 proffer the 10-K as Defense -- collectively Defendants' 1?
16 Defendants' Exhibit 1?

17 COURT REPORTER: In evidence, Your Honor?

18 THE COURT: There's no objection, correct?

19 MR. PUGH: No. Although I guess we probably need
20 to make it Intervenor's 1.

21 MR. STEPP: Okay. Intervenor's 1. That's fine.

22 MR. PUGH: Just so we're clear.

23 MR. RICHARDSON: 10-Q is already Defendant's
24 Exhibit 3. 10-K is Exhibit 2, Defendants' Exhibit 2 on the
25 list. I'm sorry, Bobby.

1 THE COURT: So, just --

2 MR. STEPP: Your Honor, I'm sorry. It's on the
3 list as Defendant's 2.

4 THE COURT: Okay.

5 MR. STEPP: But Mr. Pugh wants us to distinguish
6 between Defendants and Intervenorors. So, perhaps it should be
7 admitted as Intervenorors' 2.

8 THE COURT: Sure.

9 MR. PUGH: Without objection, Your Honor.

10 THE COURT: Thank you.

11 (WHEREUPON, Intervenorors' Exhibit No. 2 is received
12 in evidence.)

13 MR. STEPP: Okay. And the -- and now I am showing
14 the witness the 3-31-2018 Form 10-Q filed by SCANA and SCE&G
15 with the SEC. And I will proffer that as Intervenorors' 3.
16 It's on the list at Defendant's 3.

17 THE COURT: You may proceed.

18 Q Okay. Thank you. All right. Let's have the next
19 slide. Now, this is page 40 of the 10-Q. Now, you would
20 have been CFO when this was submitted, correct?

21 A That's correct.

22 Q So you're completely familiar with this I'm sure?

23 A I am.

24 Q Participated in its preparation and were comfortable
25 that all the information is accurate and complete?

1 A Correct.

2 Q Okay. And on page 40, the 10-Q reports -- and I'm not
3 going to read all this. But you can see it before you. But
4 it reports that on January 31, 2018, the House had passed a
5 Bill that would have reduced rates under the BLRA, correct?

6 A Correct.

7 Q And it also reports that the Senate had enacted similar
8 legislation, although they were different in some respects,
9 and that both of those were then pending before the General
10 Assembly, correct?

11 A Correct.

12 Q So, as of 3-31-18, the pendency of the predecessors to
13 the legislation that brings us together today were of public
14 record and were known to SCE&G?

15 A That's correct.

16 Q Okay. And the House version as it was originally
17 introduced suspended the revised rate completely for a period
18 of time. Are you familiar with that?

19 A I do remember that; yes, sir.

20 Q And the Senate version as it was originally contemplated
21 reduced the rate to 5 percent, correct?

22 A Correct.

23 Q And what came out of the Compromise Committee was a
24 reduction for nine months to 3 percent basically, correct?

25 A Correct.

1 Q All right. But this was all known to SCE&G at the time
2 it happened; and certainly by the time the 10-Q was filed,
3 correct?

4 A That's correct.

5 Q Next slide, please. Now, on page 41 of the 10-Q under
6 Impairment Considerations, again, the company reports, as it
7 did in the 10-K, the possibility that because of the
8 contentious nature of the reviews by legislative committees
9 and others, the adverse impact that would result if proposed
10 legislation is enacted, and the request being considered by
11 the Public Service Commission that could result in the
12 suspension of rates currently being collected, there is
13 significant uncertainty as to SCE&G's ultimate ability to
14 fully recover its costs of Unit 2 and Unit 3 and a return on
15 them from its customers, correct?

16 A Correct.

17 Q So this was reported, and that uncertainty was known to
18 the company as of that point?

19 A That's correct.

20 Q Correct? And as reported on page 41, the concern being
21 reported there is a permanent reduction of the revised rate,
22 correct?

23 A Are you referring not to this sentence but the paragraph
24 you just showed me prior to this one, or --

25 Q Yeah. The highlighted paragraph, is that contemplating

1 a permanent reduction of the revised rate?

2 A Yes. This one is saying that we may not be able to
3 recover our costs. So, yeah; that would be permanent.

4 Q And of course there hadn't been a permanent reduction or
5 a revised rate as of yet, correct?

6 A Correct.

7 Q But Act 275 and Joint Resolution 278 did affect an
8 interim reduction, although not elimination of the rate, for
9 period of time, correct?

10 A Correct.

11 Q So, not everything that was forecast here has come to
12 pass, but a little part of it has, correct?

13 A That's right.

14 Q Let's see slide 12. Now, again, we saw this same
15 statement I think in the 10-K. But as of March 31, 2018,
16 SCE&G told the SEC that management believes that as of the
17 date of the issuance of these financial statements, it has
18 access to available sources of cash to pay obligations when
19 due over the next 12 months. Correct?

20 A That's correct.

21 Q And so, notwithstanding the pendency of that
22 legislation, notwithstanding the concern that all the costs
23 may never be recovered, it was still the position of the
24 company at that point that it had access to sufficient cash
25 to meet its obligations, correct?

1 A That is right. We could pull from our credit lines.

2 Q Okay. Next slide. And then, similar to what we have
3 seen before, the company as of 3-31 again reiterates that
4 known and knowable conditions and events when considered in
5 the aggregate as of the date of issuance of these financial
6 statements do not suggest it is probable that the company and
7 consolidated SCE&G will not be able to meet its obligations
8 as they come due over the next 12 months. Correct?

9 A Correct.

10 Q That statement was made? And as we said before, another
11 way to say that is, in light of everything that was known or
12 knowable, it was still probable that the company could meet
13 all its obligation for 12 months going forward; now from
14 March 31, 2018 through March 31, 2019, correct?

15 A Correct.

16 Q And that included -- the known and knowable conditions
17 included the pendency of the legislation and the uncertainty
18 of recovery of costs, correct?

19 A Correct.

20 Q All right. Now, Ms. Griffin, since Act 287 became
21 effective on July the 2nd, has SCE&G been denied any access
22 to capital between July the 2nd and today?

23 A No. Not that I'm aware of.

24 Q Has SCE&G met all of its obligations when they became
25 due in that same period of time?

1 A We have.

2 Q And there have not been any further downgrades to
3 SCE&G's credit ratings during that period of time, correct?

4 A During that period of time.

5 Q And SCE&G's stock value has not declined during that
6 period of time, has it?

7 A I would have to look today. But --

8 Q Well, we'll look at other things. Ms. Griffin, has
9 SCE&G or SCANA, either one, filed anything with the SEC to
10 amend, modify, or supplement in any way any of the statements
11 made in the 12-31 10-K or 3-31 10-Q?

12 A We have not.

13 Q Have you caused the Declaration that you submitted in
14 this case to be submitted to the SEC and filed and made
15 public?

16 A I can't recall if it was filed with the SEC or not. I
17 do not think it was. I think it's been made public on our
18 company's website.

19 Q Do you think that the threat of irreparable injury to
20 SCE&G is a fact or circumstance that the investment public
21 ought to know?

22 A Yes.

23 Q But you haven't told them, have you?

24 A We have disclosed numerous times in these documents that
25 you've shown, particularly in Note 10 to these statements,

1 that there are significant risks associated with recovery of
2 the nuclear costs.

3 Q Right. But I don't see anywhere in anything that I have
4 seen where SCANA told SEC that it was suffering irreparable
5 injury.

6 A No. We did not use those words.

7 Q Thank you. That's all I have for you.

8 A You're welcome.

9 THE COURT: Thank you.

10 MR. PUGH: Your Honor, for the record --

11 COURT REPORTER: Could you speak up, please?

12 MR. PUGH: I'm sorry. For the record, SCE&G would
13 object that the Intervenor's obviously have exactly this same
14 posture and arguments in this case. And for the Intervenor's
15 to each take a turn with Ms. Griffin I think would be
16 duplicative and not the best use of our time and frankly
17 unfair to the process we find ourselves in today.

18 THE COURT: Okay. In fairness, they are parties.
19 So they'll have the opportunity to examine Ms. Griffin. But
20 I would ask that they not cover the same ground. They should
21 make different points. And I assume that they will, because
22 all of their opening statements were different.

23 MR. PUGH: Thank you, Your Honor.

24 MR. RICHARDSON: We'll do the best we can, Your
25 Honor. I'll be happy to get guidance from Mr. Pugh or the

1 Court if I end up in the same place.

2 THE COURT: Okay.

3 MR. RICHARDSON: I do want to try and make sure
4 that this Court and the witness have all the Exhibits, the
5 first three at least, of the Intervenor's 1, 2, 3. It's the
6 SCANA Schedule 14A.

7 THE COURT: I need 1 and 3.

8 MR. RICHARDSON: All right.

9 (Documents handed to the Court.)

10 MR. RICHARDSON: Everybody ready?

11 THE COURT: Yes.

12 MR. RICHARDSON: May it please the Court.

13 THE COURT: Yes.

14 MR. RICHARDSON: Thank you.

15 CROSS EXAMINATION

16 BY MR. RICHARDSON:

17 Q Hello, Ms. Griffin.

18 A Hello.

19 Q Thank you for being here and establishing a lot of the
20 factual record for us. Isn't it true that SCE&G had to
21 complete the construction of the nuclear plant by the end of
22 2020 for the 2 billion dollar in production tax credits?

23 A Yeah. That is correct. There were efforts underway
24 when we abandoned the project to have those dates extended.
25 But that is correct, at the time.

1 Q And when SCE&G abandoned the project July 31 of 2017,
2 the schedule on file with the PSC was that the substantial
3 completion dates would be by the end of 2020. Wasn't that
4 right?

5 A I don't recall that specifically, but I would assume
6 that it had to be in order for us to continue to get revised
7 rates recovery at the time.

8 Q Yes. And isn't it true that SCE&G never changed the
9 schedule beyond the 2020 date for substantial completion?

10 A Not that I recall.

11 Q And isn't it true that the Bechtel report that was
12 provided to SCE&G said that the substantial completion date
13 should be 2023?

14 MR. PUGH: Objection. Hearsay. Relevance.

15 MR. RICHARDSON: It's a report that --

16 THE COURT: To the extent that you know.

17 A I have never read the Bechtel report.

18 Q You have never seen the Bechtel report?

19 A I have not.

20 Q Even after it became public?

21 A That is correct.

22 Q And you signed into the SEC statements?

23 A I am. There are a lot of disclosures in this SEC
24 statement that talk about challenges that the project has
25 faced and challenges that we face relevant to recovery of

1 those costs.

2 Q And in the Complaint that was filed in this case, you
3 verified it, did you not?

4 A I did.

5 Q Which means you attested to the truth and the accuracy
6 of all the statements in it?

7 A That is correct.

8 Q And so, isn't it true that in 2017, before abandonment,
9 that SCE&G concluded that it would not have been able to
10 complete Unit 2 until the end of 2022 and Unit 3 until
11 March 31 of 2024?

12 A That would be correct.

13 Q It's paragraph 152 of the original Complaint. And that
14 was a conclusion that you are swearing is true before
15 abandonment occurred?

16 A That was part of the analysis that the team undertook to
17 decide whether or not to abandon the project. That's
18 correct. We saw those dates and the costs associated with
19 them and determined it was not fair to continue.

20 Q Okay. And you do know that the Bechtel report got
21 publicly disclosed on September 24th of 2017, don't you?

22 A I do know it was publicly disclosed, yes.

23 Q And that there was a Santee Cooper Bechtel Report Action
24 Plan that was publicly disclosed on September 29th, 2017?

25 MR. PUGH: Object to the form of hearsay,

1 relevance.

2 MR. RICHARDSON: I'm asking if she was aware that
3 it was publicly disclosed. It's a pretty big occurrence.

4 A I'm aware that the Santee Cooper information was also
5 disclosed, yes.

6 Q And then you're aware that the AG opinion, that the Base
7 Load Review Act finding it might be unconstitutional was
8 September 26th, 2017?

9 A Yes.

10 Q And were you aware that in February the House
11 unanimously -- almost overwhelmingly -- passed a version of
12 House Bill 4375 that required a complete suspension of all
13 revised rates and a cash refund of all the cash that had been
14 collected up to that date; about 2 billion dollars?

15 A I am aware, yes.

16 Q And on July the 2nd, after the Act had been passed, are
17 you aware that SCE&G asked the PSC to implement the
18 experimental rate on August the 7th?

19 A Yes. With the first billing cycle in August, which
20 would be approximately August 7th. Yes.

21 Q And are you also aware that they did note raise any
22 issues about the confiscatory nature of the experimental rate
23 or any other Constitutional challenges to the Public Service
24 Commission? Are you aware of that?

25 MR. PUGH: Object. Misstates the record in the

1 underlying proceeding.

2 MR. RICHARDSON: I'm just asking if she's aware of
3 the letter July the 2nd by SCE&G filed with the Public
4 Service Commission which specifically says, we're going to
5 federal court on these issues; we're not coming to you on
6 them.

7 THE COURT: Well, the letter speaks for itself.

8 MR. PUGH: It speaks for itself. Thank you.

9 THE COURT: Yes. But to the extent she is aware of
10 the letter, and then whatever her understanding of what the
11 statement, she can reveal.

12 MR. RICHARDSON: Thank you.

13 A Yes. I'm aware of the letter that was filed.

14 Q And you're aware that SCE&G offered to propose to escrow
15 all of the revised rates that had been ordered to be
16 suspended from collection between now and December during the
17 pendency of this case?

18 A Yes. I'm aware that was an alternative we offered.

19 Q You're aware that that was what was offered by SCE&G?

20 A Yes.

21 Q And while the money was in escrow, would SCE&G be able
22 to use it?

23 A No. We would not.

24 Q In your familiarity with the dividends of SCANA and its
25 shareholders, is it true that there have been 260 consecutive

1 quarters of dividends paid by SCANA?

2 A I would need to verify 260. But, yes; there are many
3 consecutive quarters of dividends paid by SCANA.

4 Q And are you aware that it was increased every year? The
5 dividend was increased every year since 2010, at least?

6 A Generally, yes.

7 Q And are you aware of the adjusted payout ratios, the
8 dividends to its percentage of earnings?

9 A I am.

10 Q And has it always been more than 55 percent adjusted
11 payout ratio until this most recent reduction?

12 A Correct.

13 Q And during the last three years, are you aware that the
14 dividends payout ratio is greater than 75 percent of the peer
15 utilities?

16 A Yes.

17 Q Excuse me. I'm trying to limit the ground we're
18 covering again. The South Carolina annual meeting for
19 shareholder approval of the merger is tomorrow morning here
20 in Columbia?

21 A That is correct.

22 Q And on Thursday, South Carolina Electric & Gas has to
23 file its direct testimony on the permanent rate proceeding to
24 the PSC?

25 A Yes.

1 Q And you are submitting sworn testimony on Thursday?

2 A I will be.

3 Q Is it final?

4 A I haven't seen a final version of it yet. I know it's
5 still being edited this weekend.

6 Q Now, you are not testifying today that this temporary
7 rate reduction for these advanced financing costs requires
8 the impairment of a writeoff of any of the construction or
9 financing costs as an asset?

10 A No. That's correct. As long as the reduction is
11 temporary, we do not think it would require a writeoff.

12 Q Thank you. In the 10-Q which is Intervenor's Exhibit 3,
13 do you have that in front of you?

14 A I do.

15 Q And just as Mr. Stepp pointed out, you sign these
16 statements, don't you?

17 A That is correct.

18 Q And attest to their accuracy and completeness?

19 A Yes.

20 Q If you don't mind, on the bottom left of these copies,
21 it has a page 22 of 5155. I'm not sure that's the page of
22 the document, but it's the page of the printout.

23 A Okay.

24 Q And do you see that that is a SCE&G condensed,
25 consolidated statement of cash flows?

1 A Yes.

2 Q In the very bottom five lines, do you see proceeds from
3 issuance of debt and the money pool borrowings net?

4 A I do.

5 Q Doesn't that mean that SCE&G borrowed 250 million
6 dollars in the first quarter of 2018?

7 A The proceeds at issuance of debt, I believe that relates
8 to withdrawing 100 million dollars from our credit lines from
9 our banks. And then the money pool borrowing, those are
10 funds that we use at the utility company to fund each sub.

11 Q And so, you don't fund all your capital expenditures or
12 other expenditures through cash flow from operations, do you?

13 A We do not.

14 Q And if I can get you, if you don't mind, to move on to
15 page 81 of 155; you see that it's actually part of the
16 management discussion I believe? There are notes to the
17 financial statements? It's talking about affiliated
18 transactions --

19 A Yes.

20 Q -- at the top? Excuse me. If you'll look at the
21 paragraph just above the bottom chart where it starts: SCE&G
22 provided ...

23 A Yes.

24 Q I'm going to read it, and you just tell me if that's
25 true and accurate. SCE&G provided 110.7 million dollars to a

1 rabbi trust consolidated with SCANA in connection with the
2 potential change and control arising from the merger
3 agreement.

4 A That's correct.

5 Q And if you don't mind, turn to page 98 of 155. That is
6 going to be page 56 of the actual report. But in the last
7 full paragraph under other liquidity requirements and
8 restrictions --

9 A Yes.

10 Q -- do you see the sentence -- it's a long one. It's the
11 penultimate sentence that starts: In January 2018?

12 A Yes.

13 Q And it also says: Approximately 110 million was placed
14 in a rabbi trust designated as irrevocable subject to change
15 of control to fund payments pursuant to this and certain
16 other deferred compensation, incentive, and retirement plans
17 which might arise in connection with a change of control
18 and/or termination of employment or service if and when such
19 payments become due. Did I read that correctly?

20 A You did.

21 Q And is that to secure the payments of key senior
22 leadership after a change of control if you were to lose your
23 position?

24 A It's not just for senior leadership. It's for a
25 multitude of leaders in the company.

1 Q How many?

2 A I don't have a specific number. But there are managers
3 and directors in the plan as well.

4 Q And one more before we move to a different document and
5 come back to this issue. Page 100 of 155 at the bottom, it's
6 just the next page you've got to flip to to get to it. The
7 last three sentences of that paragraph in the middle, it's
8 the third full paragraph down, it starts with: Cash
9 provided. If you'd go to the second sentence: The company's
10 decision in 2017?

11 A Yes.

12 Q Can I get you to read those next three sentences and
13 just verify that those are true and accurate?

14 A The company's decision in 2017 to stop construction of
15 Units 2 and 3.

16 Q Just read it to yourself. I'll ask you a question.

17 A Oh. Perfect. That's much better. Yes. It's true.

18 Q And so, doesn't this mean that abandonment is going to
19 provide SCE&G with both a tax refund and a tax deduction
20 which will increase the cash flows?

21 A That's correct.

22 Q And significantly increase the cash flows?

23 A We received in July of this year about 200 million
24 dollars from a refund, from these tax refunds that you're
25 talking about.

1 Q And that's just the beginning, isn't it?

2 A There will be more deductions that we take over time.
3 So we'll pay less in taxes over time.

4 Q More than a billion dollars up front, right?

5 A In total for the project, yes.

6 Q I want to ask you to turn, if you don't mind, to
7 Plaintiff's Exhibit 1. It is a Schedule 14 which contains in
8 it the proxy statement for the merger?

9 A Yes.

10 Q I'm going to ask you, if you don't mind, it's again
11 different numbering. But if you look at the bottom left
12 corner, page 98 of 254, which gives us -- that's page 80 of
13 the proxy statement, the merger-related compensation?

14 A Yes.

15 Q And there it details, you know, at least the top six
16 senior executives of SCANA and what their merger-related
17 compensation would be. Isn't that right?

18 A That's correct.

19 Q And Mr. Addison is going to get almost 10 million
20 dollars. And these are the numbers, right, that are
21 protected by the rabbi trust money, right? This compensation
22 is what is secured by the irrevocable contribution to the
23 rabbi trust, right?

24 A That is correct. Our change of control policy if the
25 merger is completed and you lose your job. So, those people

1 who lost their jobs through the merger would be recipients of
2 that.

3 Q And this is provided as incentive to the senior
4 executives to complete the deal, complete the merger?

5 A And to stay through completion of the merger.

6 Q And to stay. And for you, since you've become CFO,
7 you're part of this senior group, you'd get 3 million
8 dollars?

9 A That's correct.

10 Q And then, as you have pointed out, there's more than
11 just senior executives. If you go right down the line, it
12 says: Other executive officers. And then it just aggregates
13 the other executive officers and how much they would get?

14 A That's correct.

15 Q If I can ask you to turn to one more page in the 10-Q.
16 102 out of 254, if you'd look at the bottom left.

17 A In the 10-Q or in the --

18 Q I'm sorry. You're right. In the proxy statement that
19 is part of Schedule 14A, Exhibit 1.

20 A You said page 102?

21 Q 102 of 254.

22 A Okay.

23 Q And in that top paragraph, and in this whole page, it's
24 talking about a settlement scenario that SCE&G, that you all
25 essentially calculated when you were -- before the merger was

1 agreed to of what SCANA could accept without having any
2 financial -- or without -- essentially having and also
3 maintain its investment grade credit rating, right?

4 A Investment grade credit metrics, yes.

5 Q Well, let's read the sentence that's the -- I'm going to
6 read the sentence, the third sentence from the bottom of the
7 first full paragraph. The financial forecast under the 9.75
8 regulatory settlement scenario reflects circumstances under
9 which SCE&G would provide the largest reduction in
10 electricity rates on a stand-alone basis while maintaining an
11 investment grade credit rating for SCANA.

12 A That's right. And the metric part of that is what's
13 under our control. So we would have been focused on the
14 metric piece of the rating.

15 Q But this statement I just read is what you signed?

16 A That's right.

17 Q Is that true and accurate?

18 A Yes.

19 Q You just explained to me why it's true?

20 A Right. I'm just saying that I can't tell you the
21 qualitative aspects. The rating agencies can do whatever
22 they choose. But we were looking at metrics that would
23 support an investment grade rating.

24 Q And part of this scenario that you all calculated, that
25 9.75 percent, was a permanent cut; isn't that right?

1 A That's correct.

2 Q And that permanent cut, as you've explained already,
3 would also require a write-down of assets in this scenario of
4 1.8 billion dollars, right?

5 A That's correct.

6 Q And in that scenario, management says that that
7 permanent cut, with the writeoff of 1.8 billion in assets,
8 would maintain the investment grade credit rating for SCANA,
9 right?

10 A Yes.

11 Q And the temporary rate wouldn't require a writeoff of
12 any assets?

13 A Not -- no. It would not.

14 Q You already have Plaintiff's Exhibit 5 in front of you.
15 You remember Mr. Pugh was asking you about page 3. And I
16 know Mr. Stepp touched on this. On page 2, I wanted to ask
17 you that there is -- if you don't mind, explain to us how the
18 return -- it's not on page 2 -- but the return on debt was
19 calculated?

20 A The return on debt is based on the average debt we have
21 outstanding. So, the rates that we owe on that debt.

22 Q And that's aggregated, or is that --

23 A It is.

24 Q -- for all debt?

25 A It's aggregated for SCE&G.

1 Q And how about, how is the return on equity calculated?

2 A The return on equity is what falls out after you meet
3 your other obligations. So, the debt holders get paid first.
4 And you fund operations. And then the remnants are what is
5 left for equity investors.

6 Q Okay. And in preparing this pro forma with the
7 adjustments, what is assumed as to the reduction in revised
8 rates?

9 A An annual reduction of approximately 367 million
10 dollars.

11 Q And that was -- would have been effective January 1st of
12 2017?

13 A Yes. This looks at a 12-month period.

14 Q And on page 2 of Exhibit 5 in the bottom right, line 23,
15 it shows the adjusted rate of return of 5.49 rate of return,
16 right?

17 A That's right.

18 Q And that shows you can still meet any debt payments,
19 right? Even under this scenario?

20 A Our debt payments?

21 Q Yeah. The debt cost is actually less than 5.49 even
22 under the assumptions.

23 A Well, the embedded cost of debt that you see on page 11
24 of that Exhibit is 5.86.

25 Q So, not quite, but almost?

1 A Yeah.

2 Q And on page 3, you talk about the return on equity. And
3 that is after all the debt has been paid, isn't it?

4 A Yes.

5 Q So, that's lost profit, right --

6 A Yes.

7 Q -- that you're talking about?

8 A Rate of return, yes.

9 Q But it's still a return on equity, meaning you're still
10 making profits?

11 A Yes.

12 Q At this rate, 5.16, after all the debt is paid?

13 A Yes.

14 Q And isn't it true that new debt in 2018 would cause less
15 than the 5.16 percent return of equity?

16 A New debt?

17 Q New debt in 2018.

18 A It would depend on the length of time. But generally, I
19 would say, yes, based on the overall market conditions.

20 Q About 4.5 percent?

21 A I don't know. How long are you looking at for a period
22 there?

23 Q The comparable debt that you all --

24 A I mean, thirty-year debt is going to cost more than
25 two-year debt and five-year debt.

1 Q Okay. No question the nuclear plant is not constructed,
2 is it?

3 A No.

4 Q It's not being constructed?

5 A That's correct.

6 Q It hasn't been under construction since July 31 of 2017?

7 A That's correct.

8 Q And it hasn't been on schedule or on budget since at
9 least July 31 of 2017, because of that, right?

10 A Because we're not constructing, right.

11 Q And you know that SCE&G can recover even capital and
12 financing costs in the permanent abandonment rate proceeding;
13 isn't that right?

14 A Yes.

15 Q And, for example, in your affidavit in paragraph 27, you
16 talked about construction costs that you haven't yet asked
17 for -- financing costs -- until the abandonment proceeding,
18 right?

19 A That's right.

20 Q And you know that for SCE&G to recover financing costs
21 at all, but also under the revised rates, that it has to be
22 honest and prudent about incurring those costs and staying on
23 schedule, don't you?

24 A Yes.

25 Q And you're not testifying that -- or excuse me. You're

1 not quantifying -- because I think Mr. Stepp has covered
2 it -- that you have access to the guideline markets? We've
3 illustrated that already. But you're not trying to quantify
4 today any increase in the financing costs that may result
5 from these experimental rates taking effect, are you?

6 A No, I'm not quantifying that.

7 Q And you're not testifying about any specific capital
8 expenditures that would have to be cut if the experimental
9 rate takes effect, are you?

10 A I know the company is already cutting back on spending.
11 But I'm not specifically talking about any items today, no.

12 Q Yes. But I am asking specifically about capital
13 expenditures, because that's one of the levels of harm that,
14 you know, you all are talking about may occur. You haven't
15 said it has occurred. I'm just asking; you don't have any
16 specific capital expenditures that you know of that would
17 have to be cut if the experimental rate takes effect next
18 week?

19 A I do know we are delaying purchasing some capital
20 expenditures at this point.

21 Q What are those?

22 A There's a step-up transformer related to our Saluda
23 Hydro Station. That's the one that comes to mind right now.
24 There is a list of contingency items that we have.

25 Q Contingency meaning you all haven't cut any of these

1 capital expenditures?

2 A No. Some of them are being reduced at this point.

3 Q And so, no capital expenditures have been canceled yet,
4 have they?

5 A Well, the step-up transformer has been delayed. It has
6 not been canceled. Right.

7 Q Delayed?

8 A That's correct.

9 Q Yeah. And the 10-Q -- you know this -- that we had
10 looked at earlier, shows capital expenditures of about
11 500 million. I think you testified about that already. For
12 2018. And that hasn't been revised? That number is still
13 accurate, right?

14 A That's correct. It still there.

15 Q You pointed in your testimony to two financial analysts
16 that had a negative outlook on SCANA. But there are others
17 who have had positive reactions recently; isn't that right?

18 A Equity analysts? Yes.

19 Q Yeah. And about the Act itself, too, right?

20 A I don't know if I've seen any positive reports on the
21 Act itself.

22 Q This is Intervenors' Exhibit 4. Ms. Griffin, I've
23 handed you what is a Moody's rating action that confirmed
24 their rating outlook on July the 2nd, 2018. Do you see that?

25 A That's right.

1 Q Have you seen this before?

2 A I have.

3 Q And in the introductory paragraph, it's the fourth
4 paragraph down, the statement reads: The ratings
5 confirmations consider the manageable impact of the
6 legislated revenue reduction on SCE&G's and SCANA's credit
7 quality metrics, especially in light of the dividend cut,
8 while also recognizing that the ultimate authority for
9 establishing permanent rate remains with the PSC. Is that
10 right?

11 A That's right.

12 Q Intervenors' Exhibit 5. I've handed you Intervenors'
13 Exhibit 5 which is Moody's credit opinion dated July 23,
14 2108. Have you seen this?

15 A I have. This relates to SCANA Corporation.

16 Q And would you turn to page 5, the fifth paragraph down,
17 the last paragraph before the new section. And it reads:
18 Importantly, the new laws clearly acknowledge the permanent
19 rate making authority remains with the PSC a credit positive.
20 In addition, although the time for a decision has been
21 extended from the normal statutory requirement of six months
22 post filing, the law now requires a decision in the current
23 proceeding by December 21, 2018. This should allow for a
24 rational process and limits the time for additional
25 uncertainty. Do you see that?

1 A I do. There is also a third sentence there as well.

2 Q Do what?

3 A I said there's also a third sentence there that
4 discusses the challenges in determining if the rates will be
5 fair and reasonable.

6 Q They'd have to be fair and reasonable, right?

7 A I think this is expressing concern about that.

8 Q It says: The PSC looks to implement permanent that are
9 fair and reasonable?

10 A It says: We believe the politically-charged environment
11 that mandated the temporary cuts will weigh heavily on the
12 PSC as it looks to implement permanent rates that are fair
13 and reasonable.

14 Q True. But what does that have to do with the Act?

15 A I think they're expressing concern that the Act could
16 impact the PSC's decision and cause them not to create rates
17 that are fair and reasonable.

18 Q And would that be any basis for irreparable harm? I
19 mean, we've still got a permanent rate proceeding that the
20 PSC -- they recognize the PSC is going -- has a rational --
21 has enough time to decide the matter and --

22 A Right.

23 Q -- implement rates that are fair and reasonable. Do you
24 all have any problem with that process?

25 A No. I think if the rates are fair and reasonable, that

1 would be fine. I think that one of their criteria for
2 setting rates is the regulatory environment. So, I think
3 they're speaking to that here.

4 Q This is Intervenor's Exhibit 6. And you're familiar
5 with MorningStar, aren't you?

6 A I am.

7 Q It's one of the national well-known analysts?

8 A They're one of our analysts, yes.

9 Q If you turn over their analyst notes on the penultimate
10 page of this Exhibit, do you see the fourth paragraph down
11 where it says: Financially, a temporary rate code is more of
12 a poke than a punch for SCANA?

13 A I do.

14 Q And that's part of what you all -- you all receive these
15 reports and review them?

16 A Yes. This is one of many reports.

17 Q All of SCANA's credit ratings are investment grade;
18 isn't that right?

19 A All of SCE&G's are investment grade.

20 Q All of SCE&G's?

21 A Yes.

22 Q And even if they're downgraded, they're still going to
23 have access to capital, won't they?

24 A Presumably, we could still access our credit lines with
25 our banks.

1 Q I mean, there is a junk bond market, right? It's just
2 more expensive?

3 A It is more expensive, and it's not as reliable.

4 Q No one has told you that the reliability of SCE&G's
5 electric service will decline because of the temporary
6 suspension of rates, have they?

7 A Our Vice-President of Operations for Electric has
8 expressed concern that he is having to reduce tree trimming
9 budgets as part of this. So, he thinks that could impact
10 reliability. He has expressed that to me internally.

11 Q Tree trimming budgets?

12 A Mm-hmm (affirmative). We trim trees around our lines
13 and so that when storms come through, there are fewer limbs
14 to fall on the lines and create power outages. So, we've had
15 to reduce those budgets.

16 Q And even though we've seen all of the -- over a billion
17 dollars of access to cash to meet all your needs, you all
18 have told him to stop cutting trees around the --

19 A No. We have not told him to stop cutting trees. He's
20 reduced his budget. So, there are some areas that he would
21 like to spend money on that he is not right now because of
22 budget restraints of the company.

23 Q As part of the senior executive team of SCANA, you all
24 are okay under the circumstances we've just read about in the
25 10-Q and 10-K allowing him to quit the electric service or

1 liability of electric service at jeopardy by not cutting all
2 the trees?

3 A He is not putting overall reliability for electric
4 service in jeopardy. I'm just speaking to the fact that we
5 have cut budgets at the company.

6 Q There may be some problems if the trees touch the wires?

7 A Yes. They would cause outages.

8 Q Oh. And you know, being -- working with the analysts,
9 presentations, answering questions, you know that these
10 capital and financial markets are evaluating the future PSC
11 decision, just as we have talked about with the MorningStar,
12 about the permanent abandonment rates, don't you?

13 A They are looking at that, yes.

14 Q And they're not looking at this Act any more, are they?

15 A I don't know that. I would say that's true.

16 Q It's been over a month. Have there been any rating
17 changes?

18 A No. There have not, because they're looking at this
19 injunction hearing.

20 Q About the temporary rates?

21 A Yes.

22 Q For which there's no cut in assets, no impairment of
23 assets?

24 A There would be no impairment of assets.

25 Q In your affidavit on page 4, your Declaration in this

1 case is paragraph 10, you say that SCE&G's only return on its
2 investment in the new nuclear project is the revised rates.
3 But that's not true, is it? You've got the permanent
4 abandonment rate proceeding pending, don't you?

5 A Well, that's -- we don't have any rates in effect for
6 that at this point.

7 Q But --

8 A So, the current return that we have is due to the
9 revised rates that we're collecting.

10 Q The 2 billion dollars you've already collected?

11 A That we have collected, yes.

12 Q Okay. And the petition for billions more over decades
13 in the permanent abandonment rate proceeding, right?

14 A That's correct.

15 Q In your affidavit on page 8, paragraph 31, you talk
16 about a permanent abandonment rate having cascading effects
17 that will impede the ability to mitigate losses. That's not
18 this case, is it? A permanent rate reduction?

19 A A permanent rate reduction, no; that's not this case.

20 Q That's not what the Act did, did it?

21 A That's correct.

22 Q And, you know, the same in paragraph 32. You talk
23 about, you know, a rate reduction could lead to problems and
24 could ultimately be irreversible. But we've talked about
25 that. There is no impairment of assets here. And the

1 analysis that was done on the 9.75 percent showed that this
2 can be done without harming the credit rating, haven't we?

3 A We have shown that could not harm the credit metrics,
4 yes.

5 Q And in paragraph 35, you talk about the credit
6 downgrades discussed above. But those weren't because of
7 this Act, were they?

8 A I don't have the document that you're referring to to
9 know what you're --

10 Q Well, there have been no credit upgrades -- I mean
11 credit changes -- since this Act, have there?

12 A That's correct.

13 Q And in paragraphs 36 --

14 THE COURT: Excuse me. Do you have a little ways
15 to go?

16 MR. RICHARDSON: Actually, I do not. I've got I'd
17 say five minutes.

18 THE COURT: All right. That's fine.

19 Q Paragraphs 36 through 38, you talk about this fuel
20 company contract and that happened in the past, because it
21 says: Following the credit downgrades. Did it happen back
22 in February, or did that happen back in October?

23 A That it was in February.

24 Q Okay. But that's another incident that wasn't caused by
25 the Act?

1 A No. That was meant to be indicative of what we could
2 expect if the Act is put in place.

3 Q And you talk about Dominion, having this condition of
4 the merger. You now know that Dominion does not consider the
5 Act to be a failure of that condition, don't you?

6 A I've read in The State Newspaper that that was what
7 happened.

8 Q As CFO, in a month, you have not checked in with
9 Dominion about whether they consider an express condition of
10 the merger agreement to have been --

11 A Dominion has not notified us that they are planning to
12 walk from the deal at this point in time.

13 Q And so, in paragraph 41, when you say: If they exercise
14 their rights, has not become consummated, there will be a
15 material impact; there is no evidence of that today, is it?

16 A I think if you read the other rating agency reports, you
17 would see that they are counting on the Dominion merger to
18 help us through this financial time.

19 Q I'm talking about the irreparable harm you all are
20 claiming. They haven't indicated to you that they're going
21 to walk away at all. So, there is no irreparable harm from
22 the Act based on Dominion's position with the merger?

23 A That's right. Dominion has not indicated they're going
24 to walk at this time.

25 Q Now, there is a document in PSC 305 in which ORS was

1 asking for a permanent cut to all revised rates and possibly
2 a cash refund of all that had been collected. And in
3 response to that, you filed an affidavit on January -- or
4 signed it January 22nd of 2018. Do you remember that?

5 A I do.

6 Q And this affidavit also wasn't talking about the Act?

7 A That's right.

8 Q It was talking about the rate, the permanent abandonment
9 rate by ORS?

10 A That's correct.

11 Q And part of this, in paragraph 31, you said if the
12 revised rates are disallowed, there will be no return on the
13 4.7 billion dollar investment. And that statement was about
14 the permanent rate, not the temporary rates, right?

15 A That's correct.

16 Q Okay. And that's not true under the Act?

17 A That's right. Because the Act is temporary.

18 Q Thank you. Until the Act takes effect about a year
19 after abandonment, isn't it true the ratepayers have been the
20 ones to feel the full consequences of financing the nuclear
21 plant construction?

22 A The ratepayers have been funding the nuclear, yes.

23 Q And the shareholders until this most recent announcement
24 have received full benefit and a full increase in dividends?

25 A No. Dividend was just reduced recently. And they've

1 lost significant stock value throughout the course of time.

2 Q Hmm. And they're still -- as we've seen in Exhibit 5
3 even, they're still achieving a positive rate of return on
4 equity?

5 A That's correct.

6 Q So, last, I think I need to ask you; you're not
7 testifying today that the Base Load Review Act guaranteed
8 SCE&G recovery of every dollar it spent and all of its
9 expected profits regardless of the prudence or other reasons
10 for abandonment, are you?

11 A No. I'm not testifying to that.

12 MR. RICHARDSON: Thank you, Your Honor. No further
13 questions.

14 THE COURT: Thank you.

15 MR. PUGH: I'm going to have a decent amount of
16 redirect, Your Honor.

17 THE COURT: Absolutely. And we're going to go
18 ahead and stick with our schedule. And we will recess for
19 lunch at this time, and we'll be back at 1:50.

20 MR. PUGH: And I think for planning purposes, Your
21 Honor, I ought to be able to with the break streamline and
22 hopefully be done in 15 minutes, 20 tops. Thank you.

23 THE COURT: I never hold a lawyer to those kind of
24 statements.

25 MR. PUGH: I didn't say it depends on the number of

1 questions. I said time.

2 MR. BALSER: Your Honor, while we are in court, we
3 have filed our oppositions to the motions to Dismiss.

4 THE COURT: Thank you.

5 MR. BALSER: I have a hard copy for the Court, if
6 you'd like to me to hand it up.

7 THE COURT: Yes. Thank you.

8 (Document handed to the Court.)

9 THE COURT: I just need to mention that the witness
10 has stepped down. I remind her that she is under oath and
11 that she cannot speak to anybody about her testimony. Thank
12 you.

13 (WHEREUPON, a lunch break is taken.)

14 THE COURT: I would ask that the witness come back
15 to the stand, please. Okay. We're ready to proceed with the
16 continuation of the cross examination. I'm sorry. The
17 redirect.

18 MR. PUGH: Yes, Your Honor. May it please the
19 Court.

20 THE COURT: Yes.

21 DIRECT EXAMINATION

22 BY MR. PUGH:

23 Q Good afternoon, Ms. Griffin.

24 A Good afternoon.

25 Q I'll try to be brief. You were shown a number of

1 Q You were asked questions earlier about whether or not
2 the company had ever disclosed the fact of the new
3 legislation, that being Act number 258 or 257, to the SEC.
4 Does this help your memory in that regard?

5 A It does. Yes.

6 Q So, in fact, the company did disclose to the SEC the new
7 legislation in its 8-K report dated July 16th, 2018?

8 A That is correct.

9 MR. PUGH: Your Honor, we would like to print off
10 and move this 8-K report which I will provide hard copies of
11 which will be Plaintiff's Exhibit No. 53.

12 MR. STEPP: Fifty-six?

13 MR. PUGH: Fifty-three.

14 THE COURT: That will be admitted then.

15 (WHEREUPON, Plaintiff's Exhibit No. 53 is admitted
16 into evidence.)

17 MR. PUGH: And I'll do that during a break.

18 Nothing further. Thank you, Judge.

19 THE COURT: Thank you. Any recross?

20 MR. STEPP: No questions, Your Honor.

21 MR. RICHARDSON: Nothing further.

22 THE COURT: Thank you. Okay. You can step down.

23 ***

24 I certify that the foregoing is a correct transcript from the
25 record of proceedings in the above-entitled matter.

s/Jennifer H. Williams

August 3, 2018

Jennifer H. Williams, RPR